

SB 514 is my clean up bill for the Department of Revenue. I believe there are several issues where DOR is overcharging or otherwise making it needlessly difficult for MT taxpayers.

I've known of some of these issues for several years in my CPA practice, but didn't decide to do anything about it until this last year. I filed a proper extension on my taxes in April; completed my return before the October 15th extended due date, and sent it in together with the additional tax owing. I later received a bill for interest and penalties; I did the calculations and determined that the total annualized charges amounted to roughly 34% per annum. I later discovered that one of my clients; whose return we also filed by the extended 10/15 due date; faced similar charges amounting to over 33% per annum. I've spoken with several other CPA's who've seen similar exorbitant charges.

So here's what the bill does:

- 1) It tries to reduce overly high MT late charges and conform them with federal IRS rates for late payment.
- 2) It directs DOR to issue one combined deficiency notice to married couples for the combined amount owing, and one combined refund notice as well. Many two wage-earner families were confused by multiple notices.
- 3) It codifies the tax benefit rule as it relates to federal tax refunds, so that there is no more ambiguity --- Your federal tax refund is only subject to MT tax if it reduced MT taxes in the prior year. I recognize DOR has already backed away from earlier insistence on this issue, but I think it's preferable to have it right in statute, so that no future DOR rep could reverse that ruling again.
- 4) It eliminates an archaic rule allowing the DOR to charge the federal rate, or 8%, whichever is higher. I submit that if we have the technology to compute the federal rate for purposes of charging more than 8%, we can certainly also do that same computation for less than 8%; and everyone agrees its preferable that we conform our rules as much as possible to follow federal law.
- 5) It eliminates the DOR's ability to charge you a full month's interest when you're only one day or one week into the next month. And this is one issue which I've considered particularly egregious. Across the hall in Bus & Labor, we just had a bill this week attempting to clamp down on paycheck advance loans, because the APR can run as high as 300 or 400%. But during that hearing I did the calculations to show that DOR's interest rate can run as high as 432% if you're only 1 day into the next month, because of the Neanderthal practice of charging you a full month's interest for any portion of a month.
- 6) It clarifies a safe harbor rule for estimated tax payments, that you're not subject to an estimated tax underpayment penalty if you made substantially equal payments satisfying the estimated tax requirements.

I believe the MT Society of CPA's will testify in favor of this bill, and they'll suggest some amendments which I fully endorse; some technical corrections that don't significantly change the bill. One of them does change DOR's late penalty charge to one half of one percent per month; which brings it into conformity with IRS late penalties. And I suppose we can debate that issue; and I'm certainly open to negotiate that, rather than jeopardize the bill. There's also a potential problem with federal rules governing the issuance of 1099-G's and, if that proves problematic, I think we could remove that issue from the bill, since that's a very minor issue relative to the remainder of the bill.

With that, I'll distribute a written copy of my comments for the record, listen to proponents and opponents; answer questions, and reserve the right to close.